

Status of the Siberian
Pipeline Negotiations

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The Soviet Union has signed two of the three major West European gas supply contract packages. Pricing, volume and financial arrangements have been concluded with West Germany for 1.0 bcf per year and with France for 0.8 bcf per year. This represents roughly one-half of the planned eventual flow of the Siberian pipeline projects and nearly two-thirds of the initial leg. It is quite possible that the pipeline project could be economically feasible with just these two contracts.

The Italians are close to signing a gas supply contract package for another 0.8 bcf that would certainly insure the viability of the whole project and have already concluded equipment sales and financing contracts. Technical discussions between the Italian and the Soviet gas authorities were recently completed and price and volume agreements have been initialed. To be effective, these agreements need only approval of the Italian government council. The government had used the Polish situation as an excuse to suspend consideration of the gas contract in the face of strong Socialist opposition. A recent strengthening of the coalition government's position has reduced most of the roadblocks that existed earlier although the Socialists remain opposed to the deal. Questions dealing with Italy's ability to deliver compressors without US parts might complicate the government decision on the gas supply contract, however.

Other European governments including Belgium, Austria, the Netherlands, and Switzerland are still in the process of conducting technical negotiations. All of these countries are more concerned over gaining portions of the construction contracts rather than negotiating

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particular prices. Failure to sign contracts with these countries is unlikely to stop the pipeline project but may make a second leg of the pipeline less feasible for the Soviets in coming years. These countries are expected to conclude deals for gas in any case once the project is firmly underway.

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